

REAL ESTATE INDUSTRY OPPORTUNITIES

SUBMITTED BY

Name of Organization: New Jersey Natural Gas Company

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Objective

- Attain technically feasible efficiency and conservation gains of 77.2 trillion BTUs of non-electric heating demand by 2020.
- Attain technically feasible electricity efficiency and conservation gains of 19.95 million MWhs by 2020.

Strategy

Explore ways to make customers more conscious of the energy profile of real estate properties, to recognize the value of recent energy efficiency improvements, and for certain older properties, to plan mortgage commitments with energy efficiency investments in mind. Just as the Miles Per Gallon ratings for automobiles have become an influencing factor in the customers' automobile purchasing decision, the state should work to advance homeowners awareness of the energy efficiency of the premise that they are considering purchasing. Energy Pulse 2006, a national consumer market study performed by the Shelton Group, found that 86% of US consumers said they would choose one home over another based on its energy efficiency yet 78% of US homeowners indicated that no one had mentioned energy efficiency during their purchase process. While historically consumers could only seek out an Energy Star standard through new construction, the establishment of Home Performance with Energy Star program in New Jersey creates new opportunities to identify and address the energy efficiency qualities of existing homes.

While a broad stakeholder group, including realtors, utilities, HVAC contractors and regulators, should brainstorm the full range of possibilities, NJNG offers the following suggestions that warrant further consideration.

- Utilities could provide a usage profile for each premise and could rate the property as a multiple of the average home within the utilities service territory. If the realtor has reliable square footage data available or if there is basic information available through the home energy audit application, a more meaningful usage rating could incorporate the size of the premise into the rating feature (this would address a house that is double the size of the average property but has investments in energy-efficient equipment). If a more structured program is preferred, a certified "Energy-Efficient Home" program could be developed that allows realtors to advertise homes to potential buyers that meet threshold levels of energy efficiency. The rating system could be implemented as a pilot of the Residential Energy Services Network (RESNET).
- Utilities or other entities could perform a limited scale energy efficiency audit to identify properties that would be good candidates for the full Home Performance with Energy Star Program, which provides the most comprehensive profile of each customer's energy usage. This limited audit could be performed by departing owners that wish to improve the value and marketability of their property prior to sale (realtors might be able

to identify good candidates where they believe a buyer may have reservations about the energy efficiency of the premise). The limited audit could be performed at a lower cost and may include just a few key motivating indicators - use of infrared photography, age of HVAC equipment, etc. Also, with the prior owner's permission, the purchasing consumer might want to have such an evaluation performed so they could consider the cost of energy efficiency upgrades within their mortgage decision process.

- Use of a mortgage financing for such improvements provides a significant opportunity for positive cash flow considering the cost of the financing and the value of the savings.
- New homeowners could achieve immediate monthly cost savings and improve the value of their new home by installing energy efficiency measures financed through their new mortgage. For example \$7,500 of energy efficiency measures with a ten-year payback financed at 6.5% for 30 years could yield annual savings of \$285 including the impact of financing. In addition, homeowners would realize the additional benefits of increased home value of 30-50% of the initial investments and potential federal income tax breaks.
- Educate realtors on the benefits of the Federal Energy Efficient Mortgage program including the ability for home buyers to qualify for higher borrowing.
- The real estate industry already spends a significant amount of money advertising properties. Incorporating energy efficiency profiles into existing advertising when it is a selling feature will not result in any additional cost. Furthermore, it may attract environmentally focused buyers to a particular property.

Responsible Party

Collaborative of stakeholders to further develop the idea. Participants should include real estate industry representatives, utility representatives and NJCEP representatives (BPU personnel and/or the NJCEP market managers on their behalf).

Timeline of action

Initiate the collaborative as soon as possible.

Strategy outcome

The products of a real estate collaborative could yield the following benefits:

- More customers are made aware of the energy efficiency of the properties they intend to purchase
- More customers aware of the HPES program.
- Older, less efficient properties could be improved and have meaningful documentation through HPES to have a more attractive offer.
- Customers have the opportunity to make their loan payments more manageable and many will experience a quicker payback.
- Banks may have mortgage applicants seeking slightly larger loans yet customers would experience net savings when energy usage is considered.

Implementation cost

There could be additional administrative costs for the entities that are involved in the rating. It is too early to try to quantify those costs or address the best method to recoup such costs because the structure has not been defined.

Many of the other costs would be borne by either the seller or the buyer. Some activities may not have any incremental costs.

Source of Funding

(see comment in Implementation Cost section)

Funding sources	Yes	No
Private sector funds	Yes	
Public sector funds	No	
Consumer/ratepayer Funds	No	

Indicators

- # of HPES participants
- # of utility rating changes made due to identification of improvements made
- Percent of energy-efficient certified homes sold each year

Source

- NJCEP
- Utilities

A. Current state of indicator

B. Indicator Projection to 2020.